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(2) When necessary, prepare and execute a substitute promissory note reflecting the revised total of the loan and the revised repayment schedule. When it is not necessary to obtain a substitute promissory note, the County Supervisor will show on Form FmHA or its successor agency under Public Law 103-354 440-57 the revised amount of the loan and the revised repayment schedule.

(d) *Increase or decrease in loan amount.* If it becomes necessary to increase or decrease the amount of the loan prior to closing, the County Supervisor will request that all distributed docket forms be returned to the County Office for reprocessing unless the change is minor and replacement forms can be promptly completed and submitted.

[53 FR 35684, Sept. 14, 1988, as amended at 54 FR 39727, Sept. 28, 1989; 59 FR 54788, Nov. 2, 1994]

§§ 1941.36–1941.37 [Reserved]**§ 1941.38 Loan closing.**

Operating loans will be closed in accordance with subpart B of part 1941 of this chapter.

§§ 1941.39–1941.41 [Reserved]**§ 1941.42 Loan servicing.**

Loans will be serviced in accordance with subpart A of part 1962 of this chapter and/or subpart S of part 1951 of this chapter.

§§ 1941.43–1941.49 [Reserved]**§ 1941.50 State supplements.**

State supplements will be issued as necessary to implement this subpart.

**EXHIBIT A TO SUBPART A OF PART 1941—
PROCESSING GUIDE—INSURED OPER-
ATING LOANS**

This exhibit outlines the basic steps involved in processing a loan application and identifies the FmHA or its successor agency under Public Law 103-354 forms which should be considered for use at each step.

Consult the appropriate Forms Manual Insert (FMI) for instructions for completion, distribution, and procedural references for each form.

APPLICATION PROCESSING**A. APPLICANT INTERVIEW**

Review applicant's proposed plan of operation in view of authorized loan purposes and limitations on loans.

Begin running case record.

Provide applicant with FmHA or its successor agency under Public Law 103-354 forms to be completed and returned which are needed to determine eligibility. Be sure applicant understands the purposes of the forms and knows who must complete them.

Advise applicant of other information that must be given to FmHA or its successor agency under Public Law 103-354.

When appropriate, have applicant contact other creditors as possible credit sources for financing, or participating in the financing, of the proposed operation.

The following FmHA or its successor agency under Public Law 103-354 forms will be made available to the applicant or will be used by the County Supervisor. Forms designated with an "x" are always required and those designated with an "*" are to be used when appropriate.

Form No	Name	
410-1	Application for FHA Services	(x)
1910-5	Request for Verification of Employment.	(*)
410-9	Statement Required by the Privacy Act.	(*)
410-10	Privacy Act Statement to References	(*)
1910-11	Applicant Certification, Federal Collection Policies for Consumer or Commercial Debts.	(x)
431-1	Long-Time Farm and Home Plan	(*)
431-2	Farm and Home Plan	(x)
431-4	Business Analysis—Nonagricultural Enterprise.	(*)
440-32	Request for Statement of Debts and Collateral.	(*)
1940-51	Crop-Share-Cash Farm Lease	(*)
1940-53	Cash Farm Lease	(*)
1940-55	Livestock-Share-Farm Lease	(*)
1940-56	Annual Supplement to Farm Lease	(*)

B. FIELD VISIT

Notify applicant of planned visit and its purpose.

Evaluate the resources available to the applicant and determine whether or not they adequately fulfill the requirements of the proposed plan of operation.

Obtain information needed to complete required appraisals (chattel and real estate).

Hold landlord-tenant meeting, if necessary, to reach an agreement on the terms of the lease, resolve any problems, etc.; record in running case record.

Determine security requirements and record in running case record.

The following FmHA or its successor agency under Public Law 103-354 forms will be used as appropriate:

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Form No.	Name	
440-13	Report of lien search	*
440-21	Appraisal of chattel property	*
1922-1	Appraisal report-farm tract	*
1922-2	Supplemental report-irrigation, drainage, levee, and minerals.	*
1922-3	Map of property	*
1922-10	Appraiser's worksheet-farm tract	*
2006-9	Notice of visit or meeting	*

C. ELIGIBILITY DETERMINATION

Obtain all needed application forms, and other information from the applicant; assist the applicant in completing these forms and in obtaining needed information, as necessary.

Request copy of deed or other evidence of title, when needed.

Schedule meeting with county committee, review application and determine eligibility. Inform applicant of the results of committee action.

The following FmHA or its successor agency under Public Law 103-354 forms will be used as appropriate in accomplishing the above actions:

Form No.	Name	
403-1	Debt Adjustment Agreement	(*)
440-2	County Committee Certification or Recommendation.	(x)

DOCKET PREPARATION

Obtain all information from the applicant, prior lienholder(s), landlord(s), etc., needed for the loan docket to be prepared.

Check to make sure all security requirements have been met or will be met by loan closing.

Prepare a loan narrative, for running record.

The following FmHA or its successor agency under Public Law 103-354 forms will be completed and utilized as necessary in preparing the loan docket for approval:

Form No.	Name	
400-4	Assurance Agreement	(*)
1927-8	Agreement with Prior Lienholder	(*)
1940-1	Request for Obligation of Funds	(*)
440-4	Security Agreement (Chattels and Crops).	(*)
440-9	Supplementary Payment Agreement	(*)
1940-20	Request For Environmental Information.	(*)
440-25/440A25.	Financing Statement	(*)
440-26	Consent and Subordination Agreement.	(*)
1940-21, 1940-22, or Exhibit H, Subpart G of Part 1940.	Environmental Review	(*)
441-5	Subordination Agreement	(*)

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Form No.	Name	
441-8	Assignment of Proceeds from the Sale of Products.	(*)
441-10	Nondisturbance Agreement	(*)
441-12	Agreement for Disposition of Jointly Owned Property.	(*)
441-13	Division of Income and Nondisturbance Agreement.	(*)
441-17	Certification of Obligation to Landlord	(*)
441-18	Consent to Payment of Proceeds from Sale of Farm Products.	(*)
441-25	Assignment of Proceeds from the Sale of Dairy Products and Release of Security Interest.	(*)

LOAN APPROVAL AND CLOSING

A. LOAN APPROVAL

File financing statement or chattel mortgage, and obtain a lien search.

Request preliminary title opinion when appropriate.

Record loan closing conditions in the running record.

Execute and distribute all forms necessary for loan approval.

B. LOAN CLOSING

Request needed legal services.

Arrange for loan closing by county office, escrow agent, designated attorney, or other authorized loan closing agent; furnish loan closing agent with appropriate instructions, forms, and other needed information for loan closing.

The following FmHA or its successor agency under Public Law 103-354 forms will be used by the County Office in addition to those forms listed under docket preparation which must be executed by the borrower or other party:

Form No.	Name	
400-6	Compliance Statement	(*)
402-1	Deposit Agreement	(*)
402-2	Statement of Deposits and Withdrawals.	(*)
427-1 (State)	Real Estate Mortgage or Deed of Trust for	(*)
1927-9	Preliminary Title Opinion	(*)
1940-17	Promissory Note	(x)

(7 U.S.C. 1989; 42 U.S.C. 1480; 5 U.S.C. 301; sec. 10, Pub. L. 93-357, 88 Stat. 392; 7 CFR 2.23; 7 CFR 2.70)

[43 FR 55883, Nov. 29, 1978]

EDITORIAL NOTE: For FEDERAL REGISTER citations affecting exhibit A of subpart A to part 1941, see the List of CFR Sections Affected, which appears in the Finding Aids section of the printed volume and on GPO Access.

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EXHIBIT B TO SUBPART A OF PART 1941
[RESERVED]

EXHIBIT C TO SUBPART A OF PART 1941—
CONTROLLED SUBSTANCE

(NOTE: Exhibit C referenced in this subpart is available in any FmHA or its successor agency under Public Law 103-354 office.)

[53 FR 35684, Sept. 14, 1988]

**Subpart B—Closing Loans Secured
by Chattels**

§ 1941.51 Purpose.

This subpart prescribes Farmers Home Administration (FmHA) or its successor agency under Public Law 103-354 policies, procedures, and authorizations for closing direct loans secured by chattels. These loans are considered closed on the date the promissory note is executed.

[43 FR 55883, Nov. 29, 1978, as amended at 58 FR 48282, Sept. 15, 1993]

§§ 1941.52–1941.53 [Reserved]

§ 1941.54 Promissory note.

(a) *Executing the note.* Form FmHA or its successor agency under Public Law 103-354 1940-17, "Promissory Note," will be executed and dated following receipt of the loan check in the county office and prior to the first withdrawal of loan funds from the supervised bank account or delivery of the loan check to the borrower.

(b) *Signatures*—(1) *Individuals.* Only the applicant is required to sign the promissory note. Any other signatures needed to assure the required security will be obtained as provided in State supplements. A cosigner will be required only when it has been determined that the applicant cannot possibly meet the repayment requirements for the loan request. Persons who are minors (except a youth obtaining a youth loan), mental incompetents, or noncitizens will not execute a promissory note. Except when a person has pledged only property as security for a loan, the purpose and effect of signing

a promissory note or other evidence of indebtedness for a loan made or insured by FmHA or its successor agency under Public Law 103-354 is to incur individual personal liability regardless of any State law to the contrary. A youth executing a promissory note shall incur full personal liability for the indebtedness evidenced by such note.

(2) *Entities.* The promissory note(s) will be executed so as to evidence liability of the entity as well as individual liability of all members of the entity.

[43 FR 55883, Nov. 29, 1978, as amended at 51 FR 13448, Apr. 21, 1986; 53 FR 35691, Sept. 14, 1988; 58 FR 48286, Sept. 15, 1993; 68 FR 7697, Feb. 18, 2003]

§§ 1941.55–1941.56 [Reserved]

§ 1941.57 Security instruments.

Security instruments referred to in this subpart are financing statements, security agreements, chattel mortgages, and similar lien instruments. To obtain a security interest in chattels and crops in States which have adopted the Uniform Commercial Code (UCC), both a financing statement and a security agreement are required, although only the financing statement must be filed or recorded in public records. See paragraph (g) of this section for filing or recording instructions. In Louisiana a Chattel Mortgage and Crop Pledge or Crop Pledge, as appropriate, is required to obtain a security interest in chattels and crops.

(a) *Executing security instruments by borrowers.* State supplements will be issued, as necessary, to carry out the provisions of this paragraph. In order to close the loan and obtain the desired lien, security instruments will be executed by appropriate entity officials, on behalf of an entity borrower. Any other signatures needed to assure the required security will be obtained as provided in State supplements. A cosigner will be required only when it has been determined that the applicant cannot possibly meet the security requirements for the loan request.